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The Golden Handcuffs

By Mike Causey
Washington Post Staff Writer

Many federal workers would probably be happy to test the Reagan administration's "quit rate" theory, and quit, if the golden handcuffs were removed from their retirement system.

The administration thinks future pay raises should be tied to job turnover. It says the quit rate in industry is much higher than in government, therefore federal workers must be overpaid, otherwise they would quit. Not everyone buys that argument.

The quit rate theory overlooks a number of things, such as job loyalty and the value—in dollars and in experience—of low turnover.

But most of all, it overlooks the fact that government workers who have spent 10 to 15 years with Uncle Sam can't afford to get out—if they expect to eat when they retire.

Some private pension plans—some are better, many worse than the government's—are "portable" in the sense that the employe's contribution and that of the company, plus the value of any investments and interest, can be transferred to another job, or represent a tidy enough sum to put into an individual retirement account. When government workers leave before they are eligible to retire they get back only what they put into the system—7 percent of their salary. They do not get matching contributions put into their accounts by the government.

The federal retirement system serves to subsidize only those employes—about 30 percent of the total—who make a full career out of the government. Nothing wrong with that because it is a retirement system. But it does discourage many workers who from leaving the public payroll.

The government retirement program is an excellent one for employes who stay in 30 or more years, but a bad deal for those who can't or don't stick it out to the end.

If the government dared to set up a private-sector type retirement program that permitted employes to walk away before they were eligible for pensions, the low quit rate, if indeed it is really a problem, wouldn't be very low very much longer.